

- Housing starts end the year on an upswing, but annual total is at lowest level since 2000
- Sales at food services and drinking places slip in November
- Nearly a third of BC caregivers reside at least an hour away from assisted parents

The Economy

- Housing starts in the province ended the year on a high note, jumping 8.3% (*seasonally adjusted*) in December, on the heels of a similar increase (+5.7%) in November. Canadian starts climbed 5.8%, reflecting substantial upturns in all four of the largest provinces. However, starts were down in some parts of the country, most notably in Saskatchewan (-30.8%) and Manitoba (-15.0%). *Data Source: CMHC*

- Sales in the province's food services and drinking places industry were just under \$660 million (*seasonally adjusted*) in November, down 1.2% from the previous month. Receipts at food service establishments fell 1.3%, while drinking places (+0.4%) had a slightly more lucrative month.

Nationally, sales inched up 0.2% to \$4.1 billion as full-service restaurants, where patrons order and pay for meals at their table, continued to thrive (+0.7%). On the other hand, receipts from drinking places were comparatively weak (-1.1%). All but three provinces saw sales climb in November, with increases ranging from 0.1% in Nova Scotia to 1.1% in PEI, New Brunswick and Saskatchewan.

Data Source: Statistics Canada & BC Stats

- Production at BC sawmills was 9.0% lower in November of last year than in the same month of 2008. Both Coastal (-4.0%) and Interior (-9.6%) mills posted notable declines. Canadian production also slowed (-13.6%), as volume was off in all lumber-producing provinces.

Data Source: Statistics Canada

- As of March 31, 2008, British Columbia's general government (provincial and local) net fi-

nancial debt was \$12.5 billion (\$2,859 per capita), down 5.1% from the same time in 2007. Overall, the net financial debt of provincial and territorial general governments in Canada was \$241 billion (\$7,270 per capita). This was 0.3% lower than in 2007, and at 15.6% of total gross domestic product, the lowest in at least 21 years. Alberta, with a net financial debt of -\$36.7 billion, along with Yukon (-\$402 million) and Northwest Territories (-\$275 million) were the only provincial and territorial governments where the value of assets exceeded their liabilities.

Data Source: Statistics Canada

Note to Readers

These debt figures are derived from the Financial Management System and differ from information presented in the Public Accounts. The data have been adjusted to ensure comparability across provinces, and use a definition of provincial and territorial general government which includes only the provincial and territorial general governments. It does not include data for local governments (e.g. municipalities and school boards).

2009 in Review

- Despite improvements late in the year, housing starts in the province fell dramatically in 2009. The number of starts was down 53.7%, dropping to the lowest level since 2000. The last time there was a similarly large decline was in 1982, when BC housing starts plunged 52.4%.

Canadian starts dropped 30.6% during 2009 as BC (-53.7%), Saskatchewan (-46.7%), Alberta (-34.0%), and Ontario (-33.7%) all posted big declines.

Data Source: Statistics Canada

Report

Low-Income Cut-Offs are a Poor Measure of Poverty

Did you know...

Most (56%) Canadians expect Canada's women's hockey team to win gold at the upcoming Vancouver Olympics, while slightly fewer (49%) believe the men's team will do so.

Source: Ipsos Canada

Film and Video

- **A slight climb in revenues among Canada's film and video distributors, coupled with a significant drop in expenses, boosted the industry's profit margin to a healthy 19% in 2008 (up from 16% in 2007).** Film and video distributors get most of their revenues from sales to theatres and TV broadcasters. Ontario firms dominated Canadian distribution, earning 78% of total operating revenues in 2008, while Quebec companies accounted for 13%.

Data Source: SC Cat. #87F0010XWE

Parental Care Giving

- **British Columbia has the largest proportion of caregivers living a substantial distance away from their assisted parent.** In 2007, nearly one-third (30%) of BC adult children (aged 45+) resided more than an hour away from their care-needing parent. This is twice the proportion in the Atlantic provinces, where those who live more than one hour away accounted for just 14% of caregivers. The high rate of distant-caregivers in BC is likely tied to the fact that more than half (52%) of those providing care to their parents were not born in the province. Elderly parents are more likely to reside in the same province they lived in at the time of the birth of their child(ren). Comparatively, the corresponding proportion of caregivers who were originally from out-of-province was substantially lower in other parts of the country (33% in Ontario 17% in the Atlantic provinces and a mere 10% in Quebec).

Nationwide, in 2007, an estimated 359,700 persons provided help to a parent despite living more than an hour away. This group accounted for only a fifth (22%) of overall caregivers. Meanwhile, almost half (46%) lived in the same neighbourhood as their ageing parent (less than 30 minutes away by foot or bus), while another 13% lived in the same household.

Data Source: SC Cat. #11-008XIE

Trucking

- **Canadian trucking carriers hauled over 590**

million tonnes of freight to various destinations in 2008, slightly less (-1.9%) than in the previous year. Most freight was transported domestically (85%), while the rest was hauled to the US or Mexico. While trans-border trucking represented only 15% of overall shipments, it generated nearly a third of total revenue. In terms of weight, the top commodities hauled within the country were gravel, miscellaneous goods, and prepared food, while internationally, base metals and vehicles were among those at the top of the list. Toronto, Montréal and Edmonton generated much of the country's domestic trucking activity, with over a quarter of freight originating in those cities.

Data Source: Statistics Canada

The Nation

- **The Canadian economy continued to pick up speed in November, expanding (+0.4%, seasonally adjusted) for a third straight month.** Goods-producing industries increased their output 0.6%, led by strong growth in primary industries and construction. GDP in the service sector was up 0.4%.
- **Canadian manufacturers' prices were 0.8% lower in December 2009 than in the same month of 2008, marking their tenth consecutive decline.** Motor vehicle & other transportation equipment continued to have a strong influence on the 12-month change, with prices dropping 9.1% from December 2008. Prices for other commodities, including pulp & paper products (-10.8%), were also down, but climbing prices for petroleum & coal (+24.8%) and primary metals (+12.0%) tempered the overall decline. Mostly due to the increased value of the dollar, BC softwood lumber prices also declined (-5.8%), as producers of Interior (-1.9%) and Coastal (-13.6%) lumber continued to receive less for their products. Prices for BC pulpwood chips were also down (-2.2%).

Data Source: Statistics Canada

Infoline Issue: 10-04
January 29th, 2010

Low-Income Cut-Offs are a Poor Measure of Poverty

For over 40 years, Statistics Canada has produced a statistic called Low Income Cut-Offs (LICOs), and for almost as many years, that statistic has been improperly cited as a measure of poverty in Canada. This, despite the fact that Statistics Canada has continually emphasized that it is inappropriate to equate LICOs with poverty lines. The LICOs are meant to quantify the extent to which some Canadians are less well-off than others and as such, is a measure of inequality, not poverty—it is possible to be worse off than the average citizen without being poor.

According to Statistics Canada, "Low income cut-offs (LICOs) are income thresholds, determined by analysing family expenditure data, below which families will devote a larger share of income to the necessities of food, shelter and clothing than the average family would¹." For example, according to the 1992 Family Expenditures Survey, which is the most recent base for the LICOs, the average family spent 43% of its after tax income on food, shelter and clothing. Statistics Canada adds 20 percentage points to this figure using the rationale that a family spending that much more than the average would be in "straitsened circumstances."

The 20 percentage point figure is purely arbitrary and was selected when the LICOs were first published back in 1967 because it was thought that a good rule of thumb was that anyone spending more than 70% of their income on necessities should be considered to be in "straitsened circumstances." At the time, the average family was spending 50% of its pre-tax income on food, shelter and clothing². However, when the LICOs cal-

culatation was eventually re-based using a more recent survey of family expenditures to account for changes in the average spending on necessities, the 20 percentage point figure remained. As a result, the current base year (1992) calculations are based on a figure of 63% for after-tax income and 55% for before-tax income.

This arbitrary methodology used to determine LICOs alone is not enough to dismiss them as a measure of poverty, because any definition of poverty involves some subjectivity and is therefore arbitrary in nature. There are a number of other qualities of LICOs that make them a poor choice for use as a poverty line.

One of the biggest criticisms of LICOs is that the goal posts are constantly moving due to the relative nature of the measure. This means that no matter what actions a government takes to eradicate poverty, that goal can never be attained if LICOs are used as a benchmark. To illustrate, take a hypothetical future Canada where every citizen earns no less than \$100,000 (and assume there has not been rampant inflation in the meantime, such that buying power is not dissimilar to what exists today) and millionaires are common. In that kind of Canada, those at the low end of the income scale (i.e., those earning "merely" \$100,000) would be considered poor if LICOs were used as a measure of poverty. An argument can be made that the definition of poverty should change over time and be a reflection of current societal conditions, but it would be a stretch to consider someone to be poor just because their neighbours can afford a yacht and they can't.

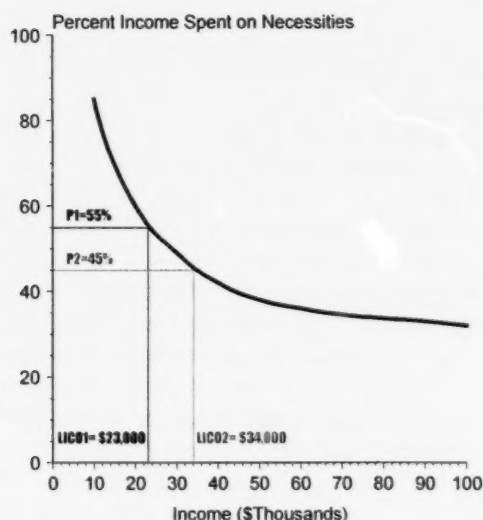
While this scenario is not very realistic, it is quite possible for the proportion of earnings spent on food, shelter and clothing to decline due to either an increase in income, or a decrease in prices. Under this scenario, the LICOs will increase

¹ Statistics Canada (June 2009). Low Income Cut-Offs for 2008 and Low Income Measures for 2007. Catalogue no. 75F0002M, no. 002. Minister of Industry, 2009, p.4.

² After-tax LICOs were not calculated at that time. The equivalent before-tax figure for 1992 was 35%.

such that people with higher incomes will now be under the low income cut-off as illustrated in the hypothetical chart below. In other words, an improvement in the standard of living could result in more people falling under the LICOs, which is counterintuitive to their use as a measure of poverty.

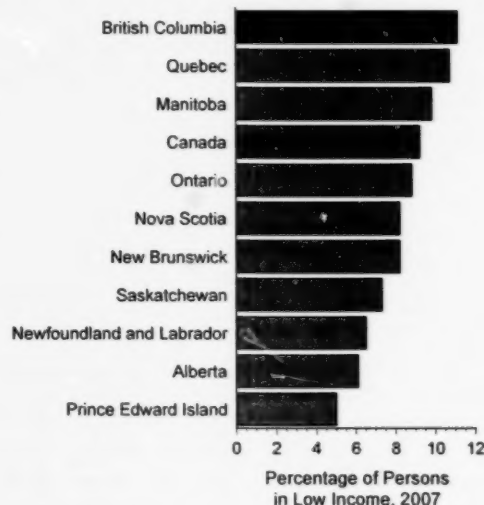
A reduction in the percentage of income spent on food, shelter and clothing will result in an increase in the LICO



One of the biggest problems with LICOs when used to analyze incomes in British Columbia is that they do not take account of regional differences in costs of food, shelter and clothing. There is recognition of differences between rural and urban areas and different LICOs are calculated for different population sizes³; however, there is no accounting for regional variation. Based on LICOs, British Columbia had the highest incidence of low income in the country in 2007, but these LICOs are based on national expenditure figures.

³ Rural areas, urban areas less than 30,000 population, urban areas with population 30,000 to 99,999, urban areas with population 100,000 to 499,999 and urban areas with population 500,000 or more.

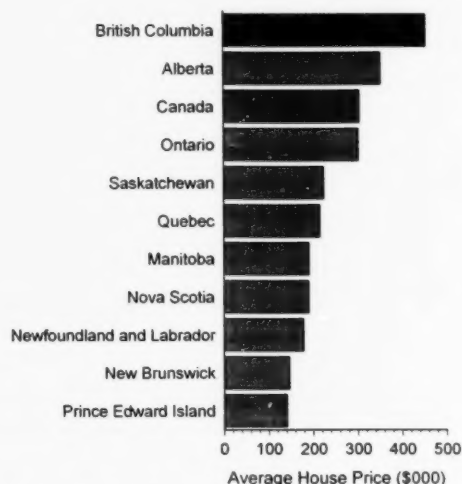
According to Statistics Canada's Low Income Cut-Offs, BC has the highest incidence of low income in the country



Source: Statistics Canada

To see how this can be problematic, one need look no further than the difference in the price of housing by province. British Columbia has by far the highest housing prices, on average, in the country. In 2008, the average house price in BC was almost 50% higher than the Canadian average. The problem is exacerbated even further when urban areas are compared. According to the Canadian Real Estate Association, the average price of a house on the Vancouver market in October 2009 was \$638,948 and in Victoria, the average price was \$481,500. The large urban area with the next highest average price was Toronto, at \$423,507, a third lower than the price in Vancouver. The average price of a house in Vancouver was three times that of one in Winnipeg and more than double that of one in Montreal.

British Columbia's average housing price was almost 50% higher than the national average in 2008



Source: The Canadian Real Estate Association

While the difference in rents are not quite as dramatic, they are still significantly higher in Vancouver compared to most other cities with greater than 500,000 population across the country. Given that the cost of shelter comprises by far the largest portion of spending on food, shelter and clothing, this renders LICOs a dubious means of regional comparison, let alone as a measure of poverty.

With all the problems related to using LICOs as an indicator of poverty levels, another measure was developed called the Market Basket Measure (MBM) of low income. Unlike LICOs, the MBM is not a relative measure. Low income measurement is instead based on the actual costs of "necessities." The basket of goods and services that comprise these necessities were chosen to reflect a basic standard of living in the current socio-economic environment in Canada. While the MBM is not an official measure of poverty, it is likely a better indicator of poverty levels than are the LICOs.

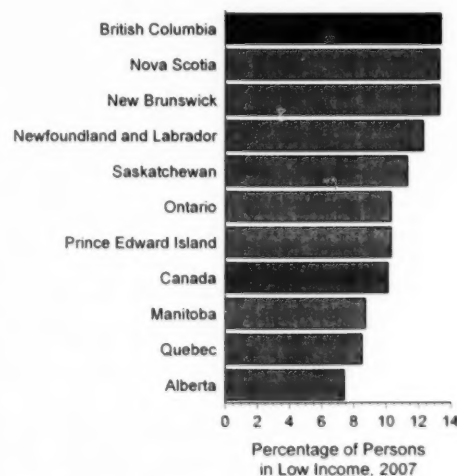
Nevertheless, there are criticisms of the MBM as well. Unavoidably, the choice of goods and services to include in the basket is arbitrary, which

opens the door to criticism. The MBM is designed to measure a level at which a Canadian family can enjoy a modest standard of living and includes items such as magazine subscriptions and video rentals. The main criticism of this approach is that it does not arrive at a true poverty threshold and that there is still no way to determine how many Canadians do not even have the resources to cover their basic needs.

This argument is valid, but so too is the argument that an income that simply covers basic needs is not enough to lift someone out of poverty. There are needs beyond just the physical and in a country as wealthy as Canada, it can be argued that every citizen should be able to enjoy some comforts beyond just subsistence living. However, that doesn't mean that there isn't still the need for such a measure to determine the proportion of the population that is in dire need of assistance.

If we accept the MBM's definition of low income, British Columbia still ranks last in the country in terms of the percentage of the population in low income.

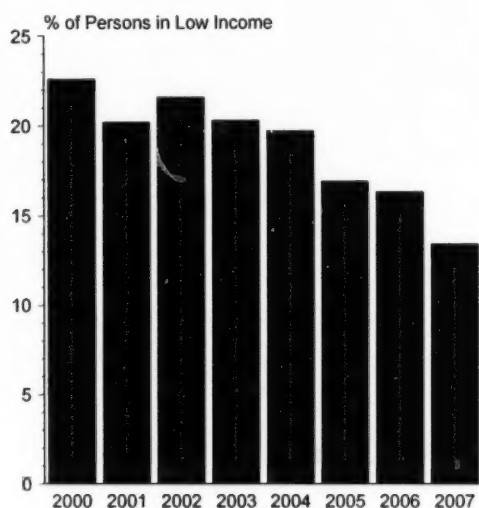
Using the Market Basket Measure, BC still has the highest incidence of low income in the country, but there is less provincial variation



Source: Human Resources and Skills Development Canada

However, there has been some positive movement over the last several years, with that percentage for British Columbia falling from 22.6% in 2000 to 13.4% in 2007. This trend has been consistent across most groups with the exception of unattached males. The ratio for this group was only slightly lower in 2007, at 33.0%, compared to 34.3% in 2000. By way of contrast, unattached females have seen a significant improvement with incidence of low income dropping from 40.4% in 2000 to 24.8% in 2007. There has also been progress with respect to children as the ratio of persons under 18 years old living in low income in BC fell from 26.1% in 2000 to 18.4% in 2007.

According to the Market Basket Measure of low income, the share of British Columbians in low income has been trending down



Source: Human Resources and Skills Development Canada

There is still no official measure of poverty in Canada and neither the LICOs nor the MBM are ideal indicators to use for that purpose, but if they are all that are available, the MBM is probably the better measure.

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BC at a glance . . .			
POPULATION (thousands)			% change on one year ago
		Jul1/2009	
BC		4,455.2	1.6
Canada		33,739.9	1.2
GDP and INCOME (Revised Nov 9)			% change on one year ago
(BC - at market prices)		2008	
Gross Domestic Product (GDP) (\$ millions)		197,931	3.3
GDP (\$ 2002 millions)		164,520	0.0
GDP (\$ 2002 per Capita) (reflects revised pop)		37,529	-1.7
Personal Disposable Income (\$ 2002 per Capita)		25,931	3.2
TRADE (\$ millions, seasonally adjusted)			% change on prev. month
Manufacturing Shipments - Nov		2,785	-0.8
Merchandise Exports - Nov		1,999	1.5
Retail Sales - Nov		4,679	0.6
CONSUMER PRICE INDEX		% change on one year ago	12-month avg % change
(all items - Dec 2009)			
BC		0.4	0.0
Vancouver		0.7	0.1
Victoria		0.5	0.1
Canada		1.3	0.3
LABOUR FORCE (thousands)			% change on prev. month
(seasonally adjusted)		Dec '09	
Labour Force - BC		2,473	0.1
Employed - BC		2,269	-0.2
Unemployed - BC		204	3.8
			Nov '09
Unemployment Rate - BC (percent)		8.3	8.0
Unemployment Rate - Canada (percent)		8.4	8.4
INTEREST RATES (percent)		Jan 27/2010	Jan 28/2009
Prime Business Rate		2.25	3.00
Conventional Mortgages - 1 year		3.60	5.00
- 5 year		5.49	5.79
US-CANADA EXCHANGE RATE		Jan 27/2010	Jan 28/2009
(avg. noon spot rate) Cdn \$ per US \$		1.0657	1.2098
(closing rate) US \$ per Cdn \$		0.9392	0.8229
AVERAGE WEEKLY WAGE RATE			% change on one year ago
(industrial aggregate - dollars)		Dec '09	
BC		815.03	2.3
Canada		811.07	1.9
SOURCES:			
Population, Gross Domestic Product, Trade,		} Statistics Canada	
Prices, Labour Force, Wage Rate			
Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics			
For latest Weekly Financial Statistics see www.bankofcanada.ca			

Historical Census Profiles

Today we have added 1986 Census Profiles to our site. This series of profiles is for development regions, regional districts, municipalities, and unincorporated areas. Recently we added detailed profiles for development regions, regional districts, municipalities, unincorporated areas and Indian reserves from the 1996 and 1991 censuses. Registration is required for access.

www.bcstats.gov.bc.ca/census.asp

Aboriginal Peoples Profiles - BC

Province-level profiles have been added to this series. These profiles provide comparisons of the socio-economic conditions of the Aboriginal populations as well as profiles of Aboriginal groups such as First Nations, Métis, and Status Indians using data from the 2006 Census.

www.bcstats.gov.bc.ca/data/cen01/abor/ap_main.asp

Population Estimates 2009

Population estimates by municipality, regional districts and development regions are now available for 2009.

www.bcstats.gov.bc.ca/data/pop/pop/estspop.asp

Population Highlights - NEW

Population Highlights is a new BC Stats periodical that replaces both Migration Highlights and Immigration Highlights. This release provides detailed current information on population flows between British Columbia and other provinces/territories and the rest of the world, as well as other components of population change. Also, a feature article provides additional analysis on a topic of interest related to migration or immigration issues.

www.bcstats.gov.bc.ca/pubs/pr_pop.asp

Released this week by BC Stats

- Environmental Statistics, January 2010
- Business Indicators, January 2010
- Current Statistics, January 2010

Next week

- Tourism Sector Monitor, January 2010
- Labour Force Statistics, January 2010
- Earnings & Employment Trends, January 2010